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REESE PUBLIC SCHOOLS
REESE, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2008

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WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

Independent Auditors' Report

August 28, 2008

To the Board of Education
Reese Public Schools
Reese, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Reese Public Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Reese Public Schools as of June 30, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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WEINLANDER FITZHUGH

To the Board of Education
Reese Public Schools
August 28, 2008

In accordance with Government Auditing Standards, we have also issued a report dated August 28, 2008 on our consideration of Reese Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Reese Public Schools' basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Weinlander Fitzhugh

REESE PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Our discussion and analysis of the Reese Public Schools' financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2008.

Financial Highlights

The School District's net assets increased by \$453,781 or 28%. Program revenues were \$1,142,408 or 12% of total revenues, and general revenues were \$8,409,157 or 88%.

The General Fund reported a positive fund balance of \$1,154,641.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Reese Public Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – the General Fund and Capital Projects Fund with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

REESE PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the School District's finances is, "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net assets as a way to measure the School District's financial position. The change in net assets provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

REESE PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Fiduciary Funds

The School District is the trustee, or fiduciary, for its student activity funds and scholarship funds. All of the School District's fiduciary activities are reported in separate statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

District-wide Financial Analysis

The statement of net assets provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net assets as of June 30, 2008 and 2007:

Exhibit A	Governmental Activities	
	2008	2007
Assets		
Current and other assets	\$ 3,961,606	\$ 4,083,656
Capital assets - net of accumulated depreciation	8,499,370	8,546,458
Total assets	12,460,976	12,630,114
Liabilities		
Current liabilities	2,200,137	2,579,492
Long-term liabilities	8,208,863	8,452,427
Total liabilities	10,409,000	11,031,919
Net Assets		
Invested in property and equipment - net of related debt	147,643	(15,669)
Restricted	748,220	693,145
Unrestricted	1,156,113	920,719
Total net assets	\$ 2,051,976	\$ 1,598,195

REESE PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

The analysis on the previous page focuses on net assets (see Exhibit A). The School District's net assets were \$2,051,976 at June 30, 2008. Investment in property and equipment, net of related debt totaling \$147,643, compares the original costs less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use those net assets for day-to-day operations.

The \$1,156,113 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net assets for the years ended June 30, 2008 and 2007.

REESE PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

	Governmental Activities	
	2008	2007
Exhibit B		
Revenues		
Program revenue:		
Charges for services	\$ 396,659	\$ 395,662
Grants and categoricals	745,749	654,706
General revenue:		
Property taxes	1,332,366	1,244,223
State foundation allowance	6,964,239	7,239,697
Other	112,552	108,497
Total revenues	9,551,565	9,642,785
Function/Program Expenses		
Instruction	5,046,599	5,180,381
Support services	2,734,655	2,782,641
Community services	27,360	35,459
Food services	413,137	436,011
Athletics	253,018	277,022
Interest on long-term debt	366,758	371,752
Amortization of bond issuance costs (unallocated)	4,582	4,582
Depreciation (unallocated)	251,675	253,533
Total expenses	9,097,784	9,341,381
Increase in Net Assets	\$ 453,781	\$ 301,404

REESE PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$9,097,784. Certain activities were partially funded from those who benefited from the programs, \$396,659, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$745,749. We paid for the remaining "public benefit" portion of our governmental activities with \$1,332,366 in taxes, \$6,964,239 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District had an increase in net assets of \$453,781. The major reason was the bond payments and the replacement and updates done with our buildings and equipment. The increase in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The School District's Funds

The School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

The School District's governmental funds reported a combined fund balance of \$1,959,685, which is above last year's total of \$1,678,634. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2008 and 2007.

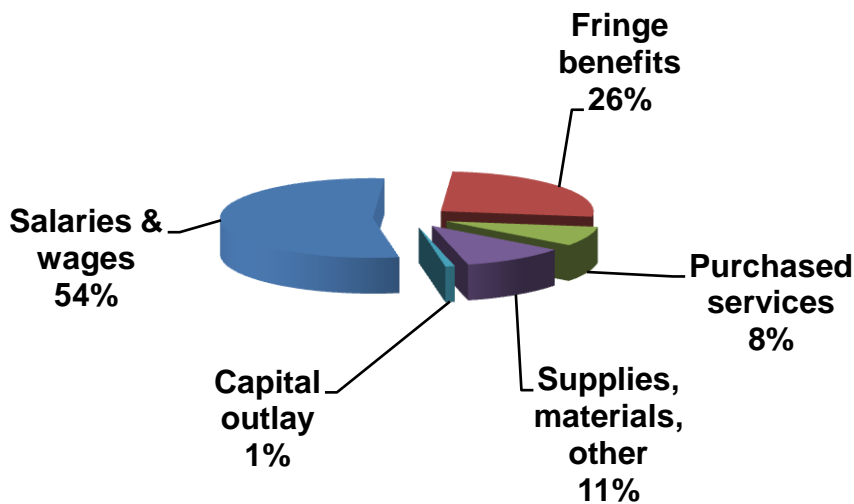
	<u>Fund Balance</u> <u>June 30, 2008</u>	<u>Fund Balance</u> <u>June 30, 2007</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 1,154,641	\$ 939,706	\$ 214,935
Special Revenue	56,824	45,783	11,041
Debt Service	225,249	232,959	(7,710)
Capital Projects	522,971	460,186	62,785
Total	<u>\$ 1,959,685</u>	<u>\$ 1,678,634</u>	<u>\$ 281,051</u>

- Our General Fund increase is mainly attributable to the decrease in salaries and benefits due to the retirement of several teachers and their replacements hired in at a lower step.

REESE PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

- Our Special Revenue Funds increased mainly due to the increase in the Food Service Fund.
- Our Debt Service Funds decreased due to reduced taxes collected.
- Our Capital Projects Funds increased due to projects not being done until after the fiscal year had been completed.

As the graph below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.



	<u>2008</u>	<u>2007</u>
<i>Expenditures by Object</i>		
Salaries and wages	\$ 4,318,805	\$ 4,783,412
Fringe benefits	2,094,174	2,287,497
Purchased services	664,135	557,695
Supplies, materials, other	871,262	614,046
Capital outlay	67,684	14,147
Total	<u><u>\$ 8,016,060</u></u>	<u><u>\$ 8,256,797</u></u>

Expenditures have decreased by \$240,737 or 3% from the prior year mostly due from a large decrease in wages and fringe benefits.

REESE PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Final amended expenditures for 2008 were reduced by \$478,583, due to the uncertainty of student counts and the buyout being accepted.

Capital Assets

At June 30, 2008, the School District had \$8,499,370 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions and disposals) of 1% from last year.

	<u>2008</u>	<u>2007</u>
Land	\$ 519,823	\$ 519,823
Buildings	12,053,707	11,942,240
Buses and other vehicles	762,990	795,421
Furniture and equipment	<u>199,002</u>	<u>199,002</u>
	■ 13,535,522	■ 13,456,486
Total capital assets		
	<u>5,036,152</u>	<u>4,910,028</u>
Less accumulated depreciation		
	<u>\$ 8,499,370</u>	<u>\$ 8,546,458</u>
Net capital assets		

This year's additions of \$204,587 was for new bleachers at the football field, a 2008 pickup truck, key swiping system and a down payment for roof repairs. No debt was issued for these additions.

REESE PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

We anticipate capital additions will be continued with the upgrading of parking lots, roofs and building systems. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$8,283,427 in bonds outstanding versus \$8,493,427 in the previous year – a decrease of 2%.

Factors Expected to have an Effect on Future Operations

Our elected Board and administration consider many factors when setting the School District's 2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2009 fiscal year budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2008-2009 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2009 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation.

Requests For Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent
Reese Public Schools
1696 VanBuren
Reese, MI 48757

REESE PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 2,483,381
Receivables:	
Taxes	5,222
Accounts receivable	5,027
Due from other governmental units	1,347,116
Prepaid expenses	2,252
Deposits	18,960
Bond issuance costs less accumulated amortization of \$14,890	99,648
Capital assets less accumulated depreciation of \$5,036,152	<u>8,499,370</u>
 Total assets	 <u>12,460,976</u>
 <u>Liabilities</u>	
Accrued payroll and other liabilities	584,653
Accrued interest payable	68,300
Deferred revenue	17,620
State aid anticipation note payable	1,300,000
Long-term liabilities:	
Due within one year	229,564
Due in more than one year	<u>8,208,863</u>
Total liabilities	<u>10,409,000</u>
 <u>Net Assets</u>	
Investment in capital assets - net of related debt	147,643
Restricted for debt service	225,249
Restricted for capital projects	522,971
Unrestricted	<u>1,156,113</u>
 Total net assets	 <u><u>\$ 2,051,976</u></u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Statement of Activities
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		Governmental
		<u>Charges for</u>	<u>Operating Grants/</u>	<u>Activities</u>
		<u>Services</u>	<u>Contributions</u>	<u>Net (Expense)</u>
				<u>Revenue and</u>
				<u>Changes in Net</u>
				<u>Assets</u>
Primary government -				
Governmental activities:				
Instruction	\$ 5,046,599	\$ 84,566	\$ 438,767	\$ (4,523,266)
Support services	2,734,655	0	107,297	(2,627,358)
Community services	27,360	18,840	0	(8,520)
Food services	413,137	209,461	199,685	(3,991)
Athletics	253,018	83,792	0	(169,226)
Interest on long-term debt	366,758	0	0	(366,758)
Amortization of bond				
issuance costs (unallocated)	4,582	0	0	(4,582)
Depreciation (unallocated)	251,675	0	0	(251,675)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total governmental	<u>\$ 9,097,784</u>	<u>\$ 396,659</u>	<u>\$ 745,749</u>	<u>(7,955,376)</u>
activities				
General revenues:				
Taxes:				
Property taxes, levied for general purposes				525,227
Property taxes, levied for capital projects				242,852
Property taxes, levied for debt services				564,287
State aid not restricted to specific purposes				6,964,239
Interest and investment earnings				73,688
Other				38,864
				<u> </u>
Total general revenues				<u>8,409,157</u>
Change in net assets				453,781
Net assets - beginning of year				<u>1,598,195</u>
Net assets - end of year				<u>\$ 2,051,976</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash and investments	\$ 1,669,218	\$ 522,437	\$ 291,726	\$ 2,483,381
Receivables:				
Taxes	311	1,484	3,427	5,222
Accounts receivable	5,027	0	0	5,027
Due from other governmental units	1,344,133	0	2,983	1,347,116
Prepaid expenditures	2,252	0	0	2,252
Deposits	18,960	0	0	18,960
	<u>18,960</u>	<u>0</u>	<u>0</u>	<u>18,960</u>
Total Assets	<u>\$ 3,039,901</u>	<u>\$ 523,921</u>	<u>\$ 298,136</u>	<u>\$ 3,861,958</u>
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accrued payroll and other liabilities	\$ 571,215	\$ 950	\$ 12,488	\$ 584,653
Deferred revenue	14,045	0	3,575	17,620
State aid anticipation note payable	1,300,000	0	0	1,300,000
	<u>1,300,000</u>	<u>0</u>	<u>0</u>	<u>1,300,000</u>
Total liabilities	<u>1,885,260</u>	<u>950</u>	<u>16,063</u>	<u>1,902,273</u>
<u>Fund Balance</u>				
Reserved for debt service	0	0	225,249	225,249
Reserved for capital projects	0	522,971	0	522,971
Unreserved:				
Undesignated	1,154,641	0	56,824	1,211,465
	<u>1,154,641</u>	<u>0</u>	<u>56,824</u>	<u>1,211,465</u>
Total fund balance	<u>1,154,641</u>	<u>522,971</u>	<u>282,073</u>	<u>1,959,685</u>
Total Liabilities and Fund Balance	<u>\$ 3,039,901</u>	<u>\$ 523,921</u>	<u>\$ 298,136</u>	<u>\$ 3,861,958</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2008

Total fund balance - governmental funds		\$ 1,959,685
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		
Cost of the capital assets	\$ 13,535,522	
Accumulated depreciation	<u>(5,036,152)</u>	
		8,499,370
Other assets used in governmental activities are not financial resources and therefore are not reported in governmental funds:		
Bond issuance costs	114,538	
Accumulated amortization	<u>(14,890)</u>	
		99,648
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds payable		(8,283,427)
Compensated absences		(155,000)
Accrued interest payable is not included as a liability in governmental activities		<u>(68,300)</u>
Total net assets - governmental activities		<u><u>\$ 2,051,976</u></u>

See accompanying notes to financial statements

REESE PUBLIC SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Totals
<u>Revenues</u>				
Local sources:				
Property taxes	\$ 525,227	\$ 242,852	\$ 564,287	\$ 1,332,366
Other	146,276	12,497	301,249	460,022
State sources	7,008,439	0	27,293	7,035,732
Federal sources	501,864	0	172,392	674,256
Interdistrict and other sources	49,189	0	0	49,189
	<u>8,230,995</u>	<u>255,349</u>	<u>1,065,221</u>	<u>9,551,565</u>
Total revenues				
<u>Expenditures</u>				
Current:				
Instruction	5,048,187	0	0	5,048,187
Support services	2,759,090	0	0	2,759,090
Community services	27,360	0	0	27,360
Food services	0	0	413,137	413,137
Athletics	0	0	253,018	253,018
Debt service:				
Principal	0	0	210,000	210,000
Interest	0	0	367,158	367,158
Capital outlay	0	192,564	0	192,564
	<u>7,834,637</u>	<u>192,564</u>	<u>1,243,313</u>	<u>9,270,514</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>396,358</u>	<u>62,785</u>	<u>(178,092)</u>	<u>281,051</u>
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	0	0	181,423	181,423
Operating transfers out	(181,423)	0	0	(181,423)
	<u>(181,423)</u>	<u>0</u>	<u>181,423</u>	<u>0</u>
Total other financing sources (uses)				
Net change in fund balance	214,935	62,785	3,331	281,051
Fund balance - beginning of year	<u>939,706</u>	<u>460,186</u>	<u>278,742</u>	<u>1,678,634</u>
Fund balance - end of year	<u>\$ 1,154,641</u>	<u>\$ 522,971</u>	<u>\$ 282,073</u>	<u>\$ 1,959,685</u>

See accompanying notes to financial statements

REESE PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balance - total governmental funds	\$ 281,051
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	(251,675)
Capital outlay	204,587
Interest expense is recorded in the statement of activities when incurred; it is recorded in governmental funds when paid	400
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Other costs related to debt issuance and retirement use governmental fund resources but recognize them as expenses through amortization on the Statement of Net Assets	
Amortization expense	(4,582)
Repayment of bonds	210,000
Decreases in compensated absences are reported as a reduction in expenditures when financial resources are used in the governmental fund in accordance with GASB Interpretation No. 6	14,000
Change in net assets of governmental activities	<u><u>\$ 453,781</u></u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2008

	<u>Agency Funds</u>	<u>Private Purpose Trusts</u>
<u>ASSETS</u>		
Cash and investments	<u>\$ 138,830</u>	\$ 105,554
<u>LIABILITIES</u>		
Due to student groups	<u>\$ 138,830</u>	<u>0</u>
<u>NET ASSETS</u>		
Held in Trust for scholarships		<u>\$ 105,554</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Fiduciary Funds
Statement of Changes In Fiduciary Net Assets
For the Year Ended June 30, 2008

	<u>Private Purpose Trusts</u>
<u>Additions</u>	
Contributions and investment income	\$ 7,541
<u>Deductions</u>	
Scholarships	<u>4,100</u>
Change in net assets	3,441
Net assets - beginning of year	<u>102,113</u>
Net assets - end of year	<u><u>\$ 105,554</u></u>

See accompanying notes to financial statements

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Reese Public Schools (the “School District”) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District’s reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District’s government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide Statements – The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Capital Projects Fund – The Capital Projects Fund is used to account for the recording of transactions relative to the improvement of the facilities of the School District.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds”. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds”.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Buses and other vehicles	8 years
Furniture and equipment	5-20 years

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences – The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Property Taxes – For the taxpayers of Reese Public Schools, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

State Aid – For the fiscal year ended June 30, 2008, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on the average pupil membership counts taken in February and September of 2007.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2007 – August 2008. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2008 relating to state aid is \$1,277,571.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

Reese Public Schools follow these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 2 – BUDGETS (CONTINUED)

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

During the year ended June 30, 2008, the School District recognized revenues in certain budgetary funds which were under the amounts estimated to be earned as follows:

<u>Fund/Function</u>	<u>Total Budgeted Revenues</u>	<u>Amount of Revenues</u>	<u>Budget Variance</u>
General Fund:			
Local sources	\$ 669,350	\$ 671,503	\$ (2,153)
State sources	7,088,607	7,008,439	80,168

NOTE 3 – CASH AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	\$ 2,483,381	\$ 244,384	\$ 2,727,765

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 2,626,447
Investment in interlocal agreement investment pools (i.e. MILAF)	
with a weighted average maturity not to exceed 60 days	100,168
Petty cash and cash on hand	<u>1,150</u>
Total	<u>\$ 2,727,765</u>

Interest Rate Risk

In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the School District's investment in the investment pool was rated AAAM by Standard & Poor's.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2008, \$2,826,135 of the School District's bank balance of \$2,981,914 was exposed to custodial credit risk because it was uninsured and uncollateralized.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 4 – CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Assets not being depreciated - land	<u>\$ 519,823</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 519,823</u>
Capital assets being depreciated:				
Buildings and improvements	11,942,240	180,152	68,685	12,053,707
Buses and other vehicles	795,421	24,435	56,866	762,990
Furniture and equipment	<u>199,002</u>	<u>0</u>	<u>0</u>	<u>199,002</u>
Subtotal	<u>12,936,663</u>	<u>204,587</u>	<u>125,551</u>	<u>13,015,699</u>
Accumulated depreciation:				
Buildings and improvements	4,169,777	198,762	68,685	4,299,854
Buses and other vehicles	635,246	46,717	56,866	625,097
Furniture and equipment	<u>105,005</u>	<u>6,196</u>	<u>0</u>	<u>111,201</u>
Subtotal	<u>4,910,028</u>	<u>251,675</u>	<u>125,551</u>	<u>5,036,152</u>
Net capital assets being depreciated	<u>8,026,635</u>	<u>(47,088)</u>	<u>0</u>	<u>7,979,547</u>
Net capital assets	<u><u>\$ 8,546,458</u></u>	<u><u>\$ (47,088)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 8,499,370</u></u>

Depreciation for fiscal year ended June 30, 2008 amounted to \$251,675. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 5 – INTERFUND TRANSFERS AND BALANCES

A summary of inter-fund transfers made during the year ended June 30, 2008 is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 0	\$ 181,423
Special Revenue:		
Athletics	163,817	0
Summer Food	17,606	0
	<u>\$ 181,423</u>	<u>\$ 181,423</u>

Transfers are used to (1) supplement athletic operational costs and (2) reflect federal revenues received for food program.

There are no interfund balances at June 30, 2008

NOTE 6 – RECEIVABLES

Receivables at June 30, 2008 consist of accounts (fees), intergovernmental grants and interest.

A summary of the intergovernmental receivables (due from other governmental units) follows:

State aid and grants	\$ 1,280,554
Federal grants	<u>66,562</u>
	<u>\$ 1,347,116</u>

NOTE 7 – DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$17,620.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 8 – LONG-TERM DEBT

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Retirements and Payments	Balance June 30, 2008	Amount Due Within One Year
Bonds	\$ 8,493,427	\$ 0	\$ 210,000	\$ 8,283,427	\$ 229,564
Compensated absences	169,000	0	14,000	155,000	0
Total	<u>\$ 8,662,427</u>	<u>\$ 0</u>	<u>\$ 224,000</u>	<u>\$ 8,438,427</u>	<u>\$ 229,564</u>

Bonds payable at June 30, 2008 is comprised of the following issues:

\$82,018 Durant Non-Plaintiff serial bonds due in annual installments of \$4,564 to \$28,825 through May 15, 2013; original stated interest at 4.76%	\$ 48,427
\$965,000 Non-refunded School Building & Site due in annual installments of \$175,000 to \$185,000 through May 1, 2010; interest at 5.125%	360,000
\$8,000,000 School Building & Site bonds due in annual installments of \$50,000 to \$570,000 through May 1, 2030; interest at 3.00% to 4.55%	<u>7,875,000</u>
Total Bonded Debt	<u>\$ 8,283,427</u>

The Durant Non-Plaintiff bond, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 8 – LONG-TERM DEBT (CONTINUED)

The Durant Non-Plaintiff bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitations. This Bond is payable both as to principal and interest solely from the State Aid payments described in the preceding paragraph.

Compensated absences include unused sick pay and vacation pay. Unused sick pay is calculated using the termination payoff rate of \$45 for eligible employees times the number of unused days (maximum 150 days). Vacation payouts are computed using an average daily rate using 220 days. At June 30, 2008, the amount of \$155,000 has been recorded in the district-wide financial statements.

The annual requirements to amortize bonds outstanding as of June 30, 2008, including interest payments, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 229,564	\$ 353,450	\$ 583,014
2010	239,782	342,764	582,546
2011	255,009	331,492	586,501
2012	265,247	321,255	586,502
2013	303,825	320,215	624,040
2014-2018	1,570,000	1,376,113	2,946,113
2019-2023	1,925,000	1,032,372	2,957,372
2024-2028	2,380,000	582,903	2,962,903
2029-2030	1,115,000	76,667	1,191,667
	<u>\$ 8,283,427</u>	<u>\$ 4,737,231</u>	<u>\$ 13,020,658</u>

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 9 – SHORT-TERM DEBT ACTIVITY

The School District issues state aid anticipation notes in advance of State of Michigan state aid payments, depositing the proceeds in its general fund. These notes are necessary because the School District's cash flow obligation to operating expenses precede the collection of state aid.

	Beginning Balance	Issued	Redeemed	Ending Balance
State aid				
Anticipation notes	\$ 1,599,384	\$ 1,300,000	\$ 1,599,384	\$ 1,300,000

NOTE 10 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 11 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description – The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 11 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 17.74% for the period from July 1, 2007 through September 30, 2007 and 16.72% from October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS plan for the years ended June 30, 2008, 2007, and 2006 were \$728,054, \$809,531 and \$833,004, respectively.

Post-employment Benefits – Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

NOTE 12 – GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

NOTE 13 – ECONOMIC DEPENDENCY

The School District received approximately 85% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 14 – BOND AND SINKING FUND COMPLIANCE

The district passed in 2004 a sinking fund levy at 1.5 mills for a five year period. The activity related to the sinking fund is recorded in the Capital Projects Fund. The assets, liabilities, revenues and expenditures are included in the School District's basic financial statements for the year ended June 30, 2008.

For this fund, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

REESE PUBLIC SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual
<u>Revenues</u>			
Local sources	\$ 666,750	\$ 669,350	\$ 671,503
State sources	7,012,112	7,088,607	7,008,439
Federal sources	448,127	444,700	501,864
Interdistrict and other sources	36,000	49,000	49,189
Total revenues	8,162,989	8,251,657	8,230,995
<u>Expenditures</u>			
Instruction:			
Basic programs	4,701,487	4,357,196	4,292,723
Added needs	801,856	775,182	755,464
Support services:			
Pupil	258,247	207,091	202,326
Instructional staff	203,139	179,824	161,918
General administration	183,800	198,095	183,907
School administration	639,963	655,365	635,927
Business services	204,575	205,339	194,072
Operations and maintenance	974,297	921,424	875,705
Transportation	395,685	387,604	369,749
Information services	132,252	144,196	135,486
Community services	45,253	30,655	27,360
Total expenditures	8,540,554	8,061,971	7,834,637
Excess of revenues over expenditures	(377,565)	189,686	396,358
<u>Other Financing Sources (Uses)</u>			
Operating transfers out	(209,870)	(189,686)	(181,423)
Payments to other government units	(9,418)	0	0
Total other financing sources (uses)	(219,288)	(189,686)	(181,423)
Net change in fund balance	(596,853)	0	214,935
Fund balance - beginning of year	939,706	939,706	939,706
Fund balance - end of year	\$ 342,853	\$ 939,706	\$ 1,154,641

REESE PUBLIC SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Funds			Debt Retirement Funds		
	Cafeteria	Athletics	Summer Food Program	2000 Debt Retirement	2005 Debt Retirement	Total
<u>Assets</u>						
Cash and investments	\$ 54,351	\$ 15,553	\$ 0	\$ 24,474	\$ 197,348	\$ 291,726
Receivables - net:						
Taxes	0	0	0	1,152	2,275	3,427
Due from other governmental units	2,983	0	0	0	0	2,983
Total assets	<u>\$ 57,334</u>	<u>\$ 15,553</u>	<u>\$ 0</u>	<u>\$ 25,626</u>	<u>\$ 199,623</u>	<u>\$ 298,136</u>
<u>Liabilities and Fund Balance</u>						
<u>Liabilities</u>						
Accounts payable	\$ 6,806	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,806
Accrued expenses	5,682	0	0	0	0	5,682
Deferred revenue	3,575	0	0	0	0	3,575
Total liabilities	<u>16,063</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,063</u>
<u>Fund Balance</u>						
Reserved for debt service	0	0	0	25,626	199,623	225,249
Unreserved - Undesignated	41,271	15,553	0	0	0	56,824
Total fund balance	<u>41,271</u>	<u>15,553</u>	<u>0</u>	<u>25,626</u>	<u>199,623</u>	<u>282,073</u>
Total liabilities and fund balance	<u>\$ 57,334</u>	<u>\$ 15,553</u>	<u>\$ 0</u>	<u>\$ 25,626</u>	<u>\$ 199,623</u>	<u>\$ 298,136</u>

REESE PUBLIC SCHOOLS
Other Supplemental Information
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	<u>Special Revenue Funds</u>			<u>Debt Retirement Funds</u>		
	<u>Cafeteria</u>	<u>Athletics</u>	<u>Summer Food Program</u>	<u>2000 Debt Retirement</u>	<u>2005 Debt Retirement</u>	<u>Total</u>
<u>Revenues</u>						
Local	\$ 211,534	\$ 84,554	\$ 0	\$190,582	\$378,866	\$ 865,536
State	27,293	0	0	0	0	27,293
Federal	172,392	0	0	0	0	172,392
Total revenues	<u>411,219</u>	<u>84,554</u>	<u>0</u>	<u>190,582</u>	<u>378,866</u>	<u>1,065,221</u>
<u>Expenditures</u>						
Current:						
Food services	395,531	0	17,606	0	0	413,137
Athletics	0	253,018	0	0	0	253,018
Debt service:						
Principal	0	0	0	165,000	45,000	210,000
Interest and other	0	0	0	27,685	339,473	367,158
Total expenditures	<u>395,531</u>	<u>253,018</u>	<u>17,606</u>	<u>192,685</u>	<u>384,473</u>	<u>1,243,313</u>
Excess (deficiency) of revenues over expenditures	15,688	(168,464)	(17,606)	(2,103)	(5,607)	(178,092)
<u>Other Financing Sources</u>						
Transfers in	0	163,817	17,606	0	0	181,423
Total other financing sources	<u>0</u>	<u>163,817</u>	<u>17,606</u>	<u>0</u>	<u>0</u>	<u>181,423</u>
Net change in fund balance	15,688	(4,647)	0	(2,103)	(5,607)	3,331
Fund balance - beginning of year	25,583	20,200	0	27,729	205,230	278,742
Fund balance - end of year	<u>\$ 41,271</u>	<u>\$ 15,553</u>	<u>\$ 0</u>	<u>\$ 25,626</u>	<u>\$ 199,623</u>	<u>\$ 282,073</u>

REESE PUBLIC SCHOOLS
Detail Of Bonded Debt
1998 School Improvement Bonds
For the Year Ended June 30, 2008

<u>PURPOSE</u>	The bonds were issued for the purpose of improvement to existing school facilities.		
<u>DATE OF ISSUE</u>	November 24, 1998		
<u>INTEREST PAYABLE</u>	May 15 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 82,018
<u>AMOUNT REDEEMED</u>			
	During prior years	\$ 33,591	
	During current year	<u>0</u>	<u>33,591</u>
<u>BALANCE OUTSTANDING - JUNE 30, 2008</u>			<u><u>\$ 48,427</u></u>

<u>Fiscal Year</u>	<u>Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 4,564	\$ 1,195	\$ 5,759
2010	4,782	978	5,760
2011	5,009	750	5,759
2012	5,247	512	5,759
2013	<u>28,825</u>	<u>9,873</u>	<u>38,698</u>
	<u><u>\$ 48,427</u></u>	<u><u>\$ 13,308</u></u>	<u><u>\$ 61,735</u></u>

REESE PUBLIC SCHOOLS
Detail Of Bonded Debt
2000 School Building and Site Bonds
For the Year Ended June 30, 2008

PURPOSE

The bonds were issued for the purpose of erecting, furnishing and equipping additions to, and partially remodeling, refurnishing and re-equipping the Reese Elementary, Middle and High School buildings, acquiring and installing educational technology, and developing and improving the sites.

DATE OF ISSUE

August 1, 2000

INTEREST PAYABLE

May 1 and November 1 of each year

AMOUNT OF ISSUE

\$ 8,650,000

AMOUNT REDEEMED

During prior years
During current year

\$ 8,125,000	
165,000	8,290,000

BALANCE OUTSTANDING - JUNE 30, 2008

\$ 360,000

<u>Fiscal Year</u>	<u>Interest Rates</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	5.125%	\$ 175,000	\$ 18,450	\$ 193,450
2010	5.125%	185,000	9,481	194,481
		<u>\$ 360,000</u>	<u>\$ 27,931</u>	<u>\$ 387,931</u>

REESE PUBLIC SCHOOLS
Detail Of Bonded Debt
2005 Refunded School Building and Site Bonds
For the Year Ended June 30, 2008

<u>PURPOSE</u>	The 2000 bonds were refunded, the original bonds were issued for the purpose of erecting, furnishing and equipping additions to, and partially remodeling, refurbishing and re-equipping the Reese Elementary, Middle and High School buildings, acquiring and installing educational technology, and developing and improving the sites.		
<u>DATE OF ISSUE</u>	March 30, 2005		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 8,000,000
<u>AMOUNT REDEEMED</u>			
During prior years	\$ 80,000		
During current year	<u>45,000</u>		<u>125,000</u>
<u>BALANCE OUTSTANDING - JUNE 30, 2008</u>			<u><u>\$ 7,875,000</u></u>

<u>Fiscal Year</u>	<u>Interest Rates</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	3.000%	\$ 50,000	\$ 333,805	\$ 383,805
2010	3.125%	50,000	332,305	382,305
2011	4.000%	250,000	330,742	580,742
2012	4.000%	260,000	320,743	580,743
2013	4.000%	275,000	310,342	585,342
2014	4.000%	290,000	299,343	589,343
2015	4.000%	300,000	287,742	587,742
2016	4.000%	315,000	275,743	590,743
2017	4.000%	325,000	263,142	588,142
2018	4.000%	340,000	250,143	590,143
2019	4.000%	355,000	236,542	591,542
2020	4.000%	370,000	222,343	592,343
2021	4.200%	385,000	207,542	592,542
2022	4.200%	400,000	191,373	591,373
2023	4.300%	415,000	174,572	589,572
2024	4.350%	435,000	156,728	591,728
2025	4.450%	455,000	137,805	592,805
2026	4.450%	475,000	117,557	592,557
2027	4.450%	495,000	96,420	591,420
2028	4.550%	520,000	74,393	594,393
2029	4.550%	545,000	50,732	595,732
2030	4.550%	<u>570,000</u>	<u>25,935</u>	<u>595,935</u>
		<u><u>\$ 7,875,000</u></u>	<u><u>\$ 4,695,992</u></u>	<u><u>\$ 12,570,992</u></u>



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August 28, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Reese Public Schools
Reese, Michigan

We have audited the financial statements of Reese Public Schools as of and for the year ended June 30, 2008, and have issued our report thereon dated August 28, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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To the Board of Education
Reese Public Schools
August 28, 2008

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Reese Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Board of Education, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Weinlander Fitzhugh



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August 28, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Reese Public Schools
Reese, Michigan

Compliance

We have audited the compliance of Reese Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Reese Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Reese Public Schools' management. Our responsibility is to express an opinion on Reese Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Reese Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Reese Public Schools' compliance with those requirements.

In our opinion, Reese Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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To the Board of Education
Reese Public Schools
August 28, 2008
Page 2

Internal Control Over Compliance

The management of Reese Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Reese Public Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiency in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information of the Board of Education, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Weinlander Fitzhugh

REESE PUBLIC SCHOOLS
Schedule of Prior Audit Findings
For the Year Ended June 30, 2008

2007 Financial Statement Findings

2007-1 Finding

Lack of segregation of duties between personnel working on Agency, Hot Lunch, and Athletic funds.

Corrective Action Taken

Management increased segregation of duties to eliminate reliance on one person handling all accounting functions for the funds listed above. In addition, bank reconciliations are now performed by personnel who do not handle day to day accounting for any of the accounting functions.

REESE PUBLIC SCHOOLS
Schedule Of Findings And Questioned Costs
For the Year Ended June 30, 2008

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified opinion

Internal control over financial reporting:

- Material weakness(es) identified? ☐ YES ☒ NO
- Significant deficiency(ies) identified not considered to be material weaknesses? ☐ YES ☒ NO

Noncompliance material to financial statements noted? ☐ YES ☒ NO

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? ☐ YES ☒ NO
- Significant deficiency(ies) identified not considered to be material weaknesses? ☐ YES ☒ NO

Type of auditor’s report issued on compliance of major programs: Unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133? ☐ YES ☒ NO

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	National School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program
84.011	ECIA Title I – Migrant Education

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ YES ☒ NO

SECTION II - Financial Statement Findings

There are no matters reported.

SECTION III - Federal Award Findings and Questioned Costs.

There are no matters reported.

REESE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA <u>Number</u>	Approved Grant Award <u>Amount</u>	(Memo Only) Prior Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>July 1, 2007</u>	<u>Adjustments</u>	Current Year Receipts <u>(Cash Basis)</u>	Current Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>June 30, 2008</u>
<u>U.S. Department of Education</u>								
Passed through Michigan								
Department of Education:								
ECIA Title I -								
Educationally Deprived	84.010							
715300607		\$ 110,877	\$ 94,607	\$ 41,451	(a) \$ 14,477	\$ 41,451	\$ 0	\$ 0
815300708		136,083	0	0	0	98,866	125,139	26,273
			<u>94,607</u>	<u>41,451</u>	<u>14,477</u>	<u>140,317</u>	<u>125,139</u>	<u>26,273</u>
ECIA Title I -								
Migrant Education	84.011							
718302007		241,551	28,216	28,216	0	212,904	184,688	0
818302008		270,553	0	0	0	0	26,638	26,638
7185020073		73,500	26,900	0	0	39,387	39,387	0
8185020083		73,500	0	0	0	11,942	18,715	6,773
			<u>55,116</u>	<u>28,216</u>	<u>0</u>	<u>264,233</u>	<u>269,428</u>	<u>33,411</u>
Title V -								
LEA Allocation	84.298							
802500708		269	0	0	0	269	269	0
Title II -								
Improving Teacher quality	84.367							
705200607		41,311	34,828	15,011	0	15,011	0	0
805200708			0	0	0	67,569	67,569	0
			<u>34,828</u>	<u>15,011</u>	<u>0</u>	<u>82,580</u>	<u>67,569</u>	<u>0</u>
Technology Literacy								
Challenge Grant	84.318							
842900708		1,125	0	0	0	1,125	1,125	0
Service Provider Self Review								
804400708	84.027	4,000	0	0	0	4,000	4,000	0
Passed through Tuscola ISD:								
Drug Free Schools	84.186							
72860/0607		549	0	0	0	549	549	0
Tech Prep	84.243A							
73540/7014-11		1,652	0	0	0	1,652	1,652	0
Total U.S. Department of Education			<u>184,551</u>	<u>84,678</u>	<u>14,477</u>	<u>494,725</u>	<u>469,731</u>	<u>59,684</u>

REESE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA <u>Number</u>	Approved Grant Award <u>Amount</u>	(Memo Only) Prior Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>July 1, 2007</u>	<u>Adjustments</u>	Current Year Receipts (Cash Basis) <u>(Cash Basis)</u>	Current Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>June 30, 2008</u>
<u>U.S. Department of Agriculture</u>								
Child Nutrition Cluster:								
Direct Program:								
Summer Food Service Program	10.559							
70900/71900		17,573	\$ 6,845	\$ 6,845	\$ 0	\$ 17,573	\$ 10,728	\$ 0
80900/81900			0	0	0	0	6,878	6,878
			<u>6,845</u>	<u>6,845</u>	<u>0</u>	<u>17,573</u>	<u>17,606</u>	<u>6,878</u>
Passed through Michigan Department of Education:								
National School Breakfast	10.553							
1970		32,094	0	0	0	32,094	32,094	0
National School Lunch	10.555							
1950/1960		117,107	0	0	0	117,107	117,107	0
Total Child Nutrition Cluster			<u>6,845</u>	<u>6,845</u>	<u>0</u>	<u>166,774</u>	<u>166,807</u>	<u>6,878</u>
Food Distribution	10.550							
Entitlement Commodities		23,191	0	0	0	23,191	23,191	0
Total U.S. Department of Agriculture			<u>6,845</u>	<u>6,845</u>	<u>0</u>	<u>189,965</u>	<u>189,998</u>	<u>6,878</u>
<u>Federal Communications Commission</u>								
Passed through AT&T								
Communications information and assistance	32.xxx	9,828	0	0	0	13,339	13,339	0
Passed through Qwest								
Communications information and assistance	32.xxx	1,188	0	0	0	1,188	1,188	0
Total Federal Communications Commission			<u>0</u>	<u>0</u>	<u>0</u>	<u>14,527</u>	<u>14,527</u>	<u>0</u>
			<u>\$ 191,396</u>	<u>\$ 91,523</u>	<u>\$ 14,477</u>	<u>\$ 699,217</u>	<u>\$ 674,256</u>	<u>\$ 66,562</u>

Notes:

(a) Grant award 615300506 was reduced by \$14,477. Grant award was established from those funds.

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Reese Public Schools and is presented in the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations.

NOTE 2 - OTHER DISCLOSURES

Management has utilized the Grants Section Auditors Report and the Cash Management System Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.



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August 28, 2008

To the Board of Education
Reese Public Schools
Reese, Michigan

We have audited the financial statements of Reese Public Schools for the year ended June 30, 2008, and have issued our report thereon dated August 28, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Reese Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Reese Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Reese Public Schools' compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Reese Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Reese Public Schools' compliance with those requirements.

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To the Board of Education
Reese Public Schools
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Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on June 16, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Reese Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by Reese Public Schools during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation expense and accumulated depreciation is based on its experience of estimated useful lives. We evaluated the key factors and assumptions used to develop the depreciation expense and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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Management's estimate of the compensated absences is based on the District's experience with vesting employees . We evaluated the key factors and assumptions used to develop the compensated absences account in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has recorded all proposed adjustments and corrected all misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.



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Management Representation

We have requested certain representations from management that are included in the management representation letter dated August 28, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Agency’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management of Reese Public Schools, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

WEINLANDER FITZHUGH